

Message Text

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43 L

ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 SS-20 NSC-10 COME-00

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FM AMEMBASSY ROME

TO USCINCEUR

INFO SECSTATE WASHDC 1239

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

USNMR SHAPE

C O N F I D E N T I A L ROME 12307

E.O. 11652: GDS

TAGS: ENRG MILI IT

SUBJECT: OIL SUPPLY TO US FORCES, ITALY

REFS: A) USCINCEUR 241304Z OCT 73; B) ROME 11489; C) ROME 12018

(ALL NOTAL)

1. REFS B AND C, TRANSMITTED SEPARATELY, OUTLINE CURRENT ITALIAN THINKING ON OIL SITUATION IN GENERAL AND GOI PLANNING, INsofar AS IT HAS PROGRESSED, TO COPE WITH SHORTAGES.

2. WITH SPECIFIC REGARD TO IMPACT ON US FORCES IN ITALY, IT SHOULD BE NOTED THAT US FORCES PURCHASE ALL THEIR POL REQUIREMENTS UNDER CONTRACT FROM REFINERIES IN ITALY OWNED PRINCIPALLY BY ITALIAN SUBSIDIARIES OF US COMPANIES. CONTINUE SUPPLY IS THEREFORE DEPENDENT NOT ONLY ON WHATEVER RATIONING OR CONTROLS THE GOI MIGHT IMPOSE -- THE GOI BEING UNDER NO LEGAL OBLIGATION TO SUPPLY US

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FORCES WITH ALL THEIR POL NEEDS -- BUT ALSO ON WHATEVER SUPPLY

CUTBACKS THE OIL COMPANIES MAY IMPOSE UPON THEIR CLIENTS, EITHER ON THEIR OWN INITIATIVE OR UNDER GOI PRESSURE.

3. TO DATE, THE GOI HAS MADE NO EFFORT TO CURTAIL DELIVERIES OF CONTRACTED POL SUPPLIES TO THE COMMANDS. INDEED, RECENT REQUESTS (MID-OCTOBER) TO THE MINISTRY OF FINANCE FOR TAX-FREE AUTHORIZATION FOR POL SUPPLIES, AS PROVIDED FOR IN USG-GOI BILATERAL AGREEMENTS, HAVE BEEN APPROVED. WE HAVE JUST MADE ONE REQUEST FOR AUTHORIZATION OF TAX-FREE STATUS FOR 16 MILLION GALLONS OF JP-5 ALREADY CONTRACTED FOR; THE GOI RESPONSE MAY PROVIDE AN EARLY INDICATION OF THEIR INTENTION REGARDING DELIVERIES TO THE COMMANDS.

4. FOR THEIR PART, THE PETROLEUM SUPPLIERS HAVE SO FAR BEEN MEETING THEIR CONTRACTUAL COMMITMENTS. THERE HAS BEEN ONE RECENT INDICATION, HOWEVER, THAT THERE MAY BE SERIOUS DIFFICULTIES IN OBTAINING MODIFICATION OF PRESENT CONTRACTS FOR INCREASED QUANTITIES, AND PERHAPS ALSO IN ESTABLISHING NEW CONTRACTS FOR FUTURE REQUIREMENTS. FOLLOWING APPARENT DIFFICULTIES IN MODIFYING EXISTING CONTRACT, SETAF HAS SOUGHT UNSUCCESSFULLY TO OBTAIN 200,000 GALLONS OF HEATING FUEL ON THE OPEN MARKET TO SUPPORT NEW REQUIREMENTS. THE DEFENSE FUEL SUPPLY AGENCY HAS BEEN ASKED BY THIS MISSION TO APPROACH THE OIL COMPANIES FOR THIS AMOUNT THROUGH REGULAR WASHINGTON CONTRACTING CHANNELS.

5. WE BELIEVE GOI WILL BE AS HELPFUL AS POSSIBLE IN FUTURE RATIONING SCHEMES, ESPECIALLY REGARDING POL FOR OPERATIONAL REQUIREMENTS SUCH AS JP-5. NEVERTHELESS, IT MUST BE RECOGNIZED THAT IN A SEVERE SHORTAGE SITUATION THE GOVT WILL BE UNDER GREAT PRESSURE TO GIVE PRIORITY TO DOMESTIC CONSUMPTION NEEDS, AND THIS COULD CONCEIVABLY CAUSE IT TO APPLY SOME SORT OF CONTROL ON FUEL DELIVERED TO COMMANDS. REFINERIES MAY ALSO REDUCE PRODUCTION OF FUELS SUCH AS JP-5 IN FAVOR OF INCREASED PRODUCTION OF THOSE FUELS IN CRITICALLY SHORT SUPPLY, SUCH AS HEATING OIL. IMPACT OF CLAMPDOWN ON US FORCES IN ITALY WOULD BE AGGRAVATED BY FACT THAT OUR FORCES HERE HAVE VERY LIMITED POL STORAGE CAPACITY: REQUIREMENTS ARE SUPPLIED BY A REGULAR FLOW FROM THE REFINERIES.

6. EMBASSY WOULD OF COURSE BE PREPARED TO INTERVENE WITH GOI IF CONTROLS HAMPER US FORCES' OPERATIONAL CAPABILITIES. TO STRENGTHEN ANY REPRESENTATION WE WOULD MAKE, IT HAS OCCURRED TO US THAT

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EUCOM MAY WISH TO CONSIDER APPLYING CERTAIN ADMINISTRATIVE FUEL-CONSERVATION MEASURES NOW IN OUR INSTALLATIONS, TO WHICH WE COULD POINT AS EVIDENCE THAT WE HAVE BEEN SENSITIVE TO ITALIANS' DIFFICULT OIL SITUATION AND HAVE DONE OUR UTMOST TO HELP OUT. REQUEST EUCOM'S COMMENTS ON THIS IDEA. VOLPE

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